



MARCH 15, 2004

IMPORTANT USDA REPORTS ON MARCH 31

The 2003-04 corn and soybean marketing year reached the half way point on March 1. It is now the time of year when both old and new crop factors can influence price behavior. The market will continue to focus on the rate of consumption of the 2003 crop, but is also very interested in prospects for the 2004 crops. The USDA's *Grain Stocks* and *Prospective Plantings* reports to be released on March 31 will provide critical information about both of these factors.

The estimate of March 1 corn and soybean inventories will provide a measure of the rate of domestic consumption of corn during the previous three months; indicate the amount of corn and soybeans available for consumption between now and the harvest of the new crop; and provide an indirect check on the accuracy of the 2003 corn and soybean production estimates.

Anticipating the estimate of March 1 stocks of corn is complicated by the variation in the estimates of the magnitude of exports to date. Through January 2004, cumulative Census Bureau export estimates totaled 820 million bushels, while the two USDA estimates ranged from 794 to 808 million bushels. The two USDA estimates placed February corn exports at 142 and 149 million bushels, respectively. Based on this array of estimates, cumulative exports through February 2004 are calculated at 965 million bushels, suggesting exports during the second quarter of the year were at 490 million bushels.

Domestic feed and residual use of corn is not measured, but is calculated based on the quarterly stocks estimates, so that surprises can occur with the release of the stocks report. For the current year, the USDA projects a 3.6 percent increase in feed and residual use of corn. If that rate of increase was experienced during the first half of the marketing year, use during the second quarter should have been near 1.515 billion bushels. Similarly, domestic processing use of corn is projected to be 7.3 percent larger than use of a year ago. If that rate of increase was experienced during the first half of the year, use during the second quarter should have been near 600 million bushels. These calculations suggest second quarter use of corn for all purposes at 2.605 billion bushels and March 1 stocks near 5.34 billion bushels, about 200 million larger than stocks on the same date last year. Stocks significantly larger or smaller than this calculation could have important price implications.

For soybeans, the Census Bureau estimate of cumulative exports through January totaled 650 million bushels. The two USDA estimates were at 626 and 642 million bushels, respectively. For February, the two USDA estimates of exports were 84 and 90 million bushels, respectively, suggesting that cumulative exports through February were near 736 million bushels. If so, second quarter exports were near 346 million bushels.

The Census Bureau estimate of the domestic soybean crush in December 2003 and January 2004 was about 1 million bushels more than the crush during the same two months last year. The Census estimate for February is not yet available, but the National Oilseed Processors' Association estimate of the crush during February was 0.7 percent less than the crush during February 2003. If that ratio is also reflected in the Census estimate, the February 2004 crush was about 1 million less than during the February 2003, suggesting second quarter crush this year totaled 422 million bushels, equal to the crush of the same quarter last year. If seed, feed, and residual use during the quarter was equal to the 66 million bushels of a year ago, total use for the quarter totaled 834 million bushels. March 1 soybean stocks, then, should have been near 852 million bushels, the smallest inventory for that date since 1984. That level of stocks also implies that the use of U.S. soybeans during the last half of the marketing year will have to be 29 percent less than use during the last half of the 2002-03 marketing year.

Given that the record rate of consumption of U.S. corn is expected to continue, and perhaps accelerate, in 2004-05, the 2004 U.S. corn crop needs to be large. Similarly, the poor end to the South American soybean growing season and the smaller than expected harvest there, means the U.S. needs to have a large soybean crop in 2004. U.S. soybean production would increase sharply in 2004 with no change in acreage and a return to a trend U.S. average yield. However, a larger corn crop will require additional acreage and at least a trend yield in 2004. The March 31 USDA *Prospective Plantings* report will reveal how producers are intending to respond to the need for large crops in 2004.

Issued by Darrel Good
Extension Economist
University of Illinois